

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

SEP 01 2006

In the Matter of:

PUBLIC SERVICE  
COMMISSION

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY )  
POWER COMPANY FOR THE SIX-MONTH )  
BILLING PERIODS ENDING DECEMBER 31, 2002, )  
DECEMBER 31, 2003, JUNE 30, 2004, )  
DECEMBER 31, 2004, AND DECEMBER 31, 2005, )  
AND FOR THE TWO-YEAR BILLING PERIODS )  
ENDING JUNE 30, 2003 AND JUNE 30, 2005 )

CASE NO.  
2006-00128

**MOTION FOR LEAVE TO FILE A REVISED RESPONSE TO THE COMMISSION'S  
ORDER OF JULY 24, 2006, AND TO MAKE A SUPPLEMENTAL FILING INTO THE  
RECORD**

Kentucky Power Company, by counsel, respectfully moves the Commission to allow the Company to file a revised response to its Order of July 24, 2006, which directed Kentucky Power to advise the Commission if the case “should be submitted for adjudication based on the existing record without a hearing.” On July 27<sup>th</sup>, the Company filed a Response, advising that “it is Kentucky Power’s position that this case should be submitted for adjudication based on the existing record.” Based on circumstances discovered since this Response, as explained below, Kentucky Power would like to submit a Supplemental Response to PSC Data Request #1 (first set) presenting an underrecovery of environmental costs in the amount of \$158,592.

As set forth in the attached tendered Supplemental Response, in Kentucky Power’s last environmental surcharge case, Case No. 2005-00068, the Commission approved Kentucky Power’s portion of the Rockport Unit Power low NOx burner investment in the Company’s Environmental Compliance Plan. However, from July 2005 to date, the Company has inadvertently failed to include Kentucky Power’s portion of the Rockport low NOx burner

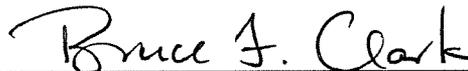
investment costs (*i.e.*, those incurred under the Rockport lease agreement) in its ES Form 3.20 Monthly Filings; and has failed to reflect those costs in the monthly billings. This resulted in an underrecovery of \$151,707.

Also, the Company also discovered a minor 1% error in allocation in December 2005, which resulted in an underrecovery of \$6,885. Thus, the total underrecovery for these two items is \$158,592.

These oversights were discovered in late August 2006 as Kentucky Power personnel were reviewing the environmental surcharge schedules associated with the 2006 Environmental Surcharge filing, Case No. 2006-00307.

Kentucky Power sincerely regrets the errors made in its 2005 filings, which resulted in an underrecovery of \$158,592. Because KRS 278.183 directs that electric utilities are entitled to recover their approved costs of complying with the Federal Clean Air Act, the Company respectfully requests the Commission to allow the record in this case to be supplemented with the attached Supplemental Response to Commission Data Request #1 (first set); and to set a revised procedural schedule allowing the parties to make any proper inquiry into the costs sought to be recovered via the supplemental filing.

Respectfully submitted;



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Bruce F. Clark  
R. Benjamin Crittenden  
STITES & HARBISON PLLC  
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P.O. Box 634  
Frankfort, Kentucky 40602-0634  
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COUNSEL FOR KENTUCKY POWER

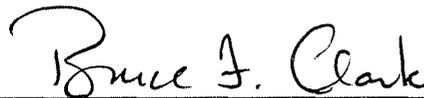
**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing was served first class mail, postage prepaid, upon the following:

Michael L. Kurtz  
Boehm, Kurtz & Lowry  
Suite 1510  
36 East Seventh Street  
Cincinnati, Ohio 45202

Elizabeth E. Blackford  
Assistant Attorney General  
Suite 200  
1024 Capital Center Drive  
Frankfort, Kentucky 40601-8204

on this 1st day of September, 2006.



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Bruce F. Clark

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE**  
**PUBLIC SERVICE COMMISSION**

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PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY )  
POWER COMPANY FOR THE SIX-MONTH )  
BILLING PERIODS ENDING DECEMBER 31, 2002, )  
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DECEMBER 31, 2004, AND DECEMBER 31, 2005, )  
AND FOR THE TWO-YEAR BILLING PERIODS )  
ENDING JUNE 30, 2003 AND JUNE 30, 2005 )

CASE NO.  
2006-00128

**SUPPLEMENTAL RESPONSE TO**  
**COMMISSION STAFF FIRST SET OF DATA REQUEST, ITEM NO. 1**  
**ON BEHALF OF KENTUCKY POWER COMPANY**

**September 1, 2006**

## KENTUCKY POWER COMPANY

### REQUEST

Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the applicable billing period. Use ES Form 1.0 as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under- recovery adjustments for the months included for the billing period under review. Include a calculation of any additional over- or under-recovery amount Kentucky Power believes needs to be recognized for each 6-month review or 2-year review. Include all supporting calculations and documentation for any such additional over- or under-recovery.

### SUPPLEMENTAL RESPONSE

In addition to the costs included in the Company's initial response to this Data Request, in 2005, Kentucky Power incurred additional underrecovery of its environmental costs in the amount of \$158,592. These costs are summarized in this Supplemental Response to PSC Data Request #1, page 3 of 35. This underrecovery is comprised of two factors: (1) For the monthly filings August 2005, September 2005, October 2005, November 2005 and December 2005, the Company's monthly E.S. filings, E.S. Form 3.20, inadvertently failed to include the Company's Rockport unit power costs associated with the low NOx burners, approved by the Commission for inclusion in the Environmental Surcharge by Order dated September 7, 2005, Case No. 2005-00068; and (2) on E.S. Form 3.14 for December 2005, the Company inadvertently used an erroneous "surplus weighting" percentage of 76%, instead of 77%, which was the proper surplus weighting percentage as shown on E.S. Form 3.14, page 2 of 11, line 14.

With regard to the underrecovery of Rockport low NOx burner costs, the Commission's September 7, 2005 Order in Case No. 2005-00068 approved the inclusion of the Rockport low NOx burner investment. See pp. 4-7 of 35. This Order thus affirmed the Company's proposed revised monthly Environmental Surcharge schedules, as per the Company's Response to Commission Staff Data Request, 2<sup>nd</sup> Set, Item 12. See pp. 8-9 of 35. However, because of administrative oversight, the Company failed to include on its monthly Environmental Surcharge schedules the costs associated with Kentucky Power's lease of the Rockport unit. For the 2-year review period, the months affected by the underrecovery are August 2005 through December 2005. See pp. 10-19 of 35.

Attached is a revised E.S. Form 3.20, in the format approved by the Commission in its September 7, 2005 Order in Case No. 2005-00068 for each month affected by the underrecovery, *i.e.*, August – December 2005. See pp. 20-24 of 35.

Also, in Kentucky Power's filing for the month of December, 2005, E.S. Form 3.14, page 2 of 11, the Company included an incorrect entry for the "Ohio Power Surplus Weighting." The correct percentage was 77.00%. (See p. 25 of 35); however, the Company employed a percentage of 76.00%. See pp. 26-34 of 35. The total amount of apportioned cost to Kentucky Power was understated by \$10,578. (See p. 35 of 35.)

The total effect of these erroneous filings resulted in an underrecovery by Kentucky Power of its approved environmental costs in the total amount of \$158,592. See p. 3 of 35. The Company proposes to recover this underrecovery over a 6-month period following approval of the costs.

**WITNESS:** Errol K. Wagner

**Kentucky Power Company**  
**Adjustment of AEP Pool Monthly Environmental Capacity Costs (ES FORM 3.14) and Costs Associated with Rockport Plant - Low NOx Burners (ES FORM 3.20)**  
**From August 2005 to December 2005**

	August 2005	August 2005	Delta	September 2005	September 2005	Delta	October 2005	October 2005	Delta	November 2005	November 2005	Delta	December 2005	December 2005	Delta	Total July to December 2005
	REVISED AMOUNTS	FILED AMOUNTS		REVISED AMOUNTS	FILED AMOUNTS		REVISED AMOUNTS	FILED AMOUNTS		REVISED AMOUNTS	FILED AMOUNTS		REVISED AMOUNTS	FILED AMOUNTS		
<b>ES FORM 3.14</b>																
Environmental Costs to Kentucky Power from -																
Amos Plant Unit No. 3, Page 3 of 11													\$42,312	\$38,786		
Cardinal Plant Unit 1, Page 4 of 11													\$42,312	\$42,312		
Gavin Plant (Units 1 & 2), Page 5 of 11													\$380,808	\$373,756		
Kammer Plant (Units 1, 2 & 3), Page 6 of 11													\$3,526	\$3,526		
Mitchell Plant (Units 1 & 2), Page 7 of 11													\$7,052	\$7,052		
Muskingum Plant (Units 1, 2, 3, 4 & 5), Page 8 of 11													\$7,052	\$7,052		
Sporn Plant (Unit 1, 2, 3, 4 & 5), Page 9 of 11													\$7,052	\$7,052		
Rockport Plant (Units 1 & 2), Page 10 of 11													\$3,526	\$3,526		
Tanner Creek Plant (Units 1 & 2), Page 11 of 11													\$3,526	\$3,526		
<b>TOTAL DIFFERENCE ES FORM 3.14</b>													\$497,166	\$486,588	\$10,578	\$10,578
Page 1 of 11			\$0			\$0			\$0				\$0			
<b>ES FORM 3.20</b>																
Kentucky Power's Portion of Rockport's CEMS and AEGCo's LNB	\$49,080			\$48,957			\$49,660			\$51,889			\$51,763			
Kentucky Power's Portion of Rockport's CEMS		\$3,622			\$3,616			\$3,637			\$3,708			\$3,702		
<b>TOTAL DIFFERENCE ES FORM 3.20</b>			\$45,458			\$45,341			\$46,023			\$48,181			\$48,061	\$233,064
<b>Kentucky Power Environmental Costs before KY Retail Jurisdictional Allocation Factor</b>			\$45,458			\$45,341			\$46,023			\$48,181			\$58,639	\$243,642
August 2005 - Only Applicable to 21 of the 29 Billings Days			\$32,918													
ES FORM 1.00 - Kentucky Retail Jurisdiction Allocation Factor			67.7%			64.0%			66.2%				67.8%		75.3%	
<b>Total Adjustment</b>			\$22,285			\$29,018			\$30,467				\$32,667		\$44,155	\$158,592

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY )	
FOR APPROVAL OF AN AMENDED COMPLIANCE )	
PLAN FOR PURPOSES OF RECOVERING )	
ADDITIONAL COSTS OF POLLUTION CONTROL )	CASE NO.
FACILITIES AND TO AMEND ITS )	2005-00068
ENVIRONMENTAL COST RECOVERY )	
SURCHARGE TARIFF )	

O R D E R

On March 8, 2005, Kentucky Power Company ("Kentucky Power") filed an application, pursuant to KRS 278.183, seeking Commission approval of an amended environmental compliance plan and to amend its Environmental Surcharge ("E.S.") tariff. Kentucky Power states that the proposed amendments allow it to include the cost of pollution control projects that are required by the Clean Air Act<sup>1</sup> ("CAA") that are charged to it pursuant to Federal Energy Regulatory Commission ("FERC") approved agreements between Kentucky Power and affiliated American Electric Power, Inc. ("AEP") operating companies. Kentucky Power proposed that its amended E.S. tariff become effective for bills rendered on and after April 29, 2005.

On March 21, 2005, the Commission found that further proceedings were necessary to investigate the reasonableness of the proposed amendments to Kentucky

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<sup>1</sup> As amended, 42 U.S.C.A. § 7401 *et seq.*

changes. Appendix B of this Order reflects the Commission's determination of the revised gross-up factor. Kentucky Power should be required to use this factor with the first monthly surcharge filing submitted after the date of this Order.

The revised gross-up factor will be applied only to the rate of return calculations for Big Sandy's environmental surcharge rate base. The Commission does not agree with KIUC that the Section 199 impact should be applied to the rate of return for the Rockport rate base. While KIUC has stated that the Rockport Agreement is a cost-based tariff, it has not shown that the Rockport Agreement would recognize the effect of the Section 199 deduction. Consequently, the rate of return applied to the Rockport rate base should not be adjusted to reflect the Section 199 deduction.

#### Surcharge Formulas

The inclusion of the 2005 Plan into Kentucky Power's existing surcharge mechanism will not result in changes to the surcharge formulas. However, the description of the items included in the components of the formulas will change. The Commission finds that the formulas used to determine the ES revenue requirement as proposed by Kentucky Power<sup>57</sup> should be approved, subject to the exclusion of SO<sub>3</sub> mitigation projects discussed previously in this Order.

#### Reporting Formats

The inclusion of the 2005 Plan into the existing surcharge mechanism will require modifications to the monthly environmental surcharge reporting formats. Kentucky

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<sup>57</sup> Application, Exhibit 3.

Power provided revised formats in response to a data request.<sup>58</sup> The Commission finds that Kentucky Power's revised monthly environmental surcharge reporting formats should be approved, subject to the exclusion of the SO<sub>3</sub> mitigation projects discussed previously in this Order.

#### SURCHARGE ALLOCATION

No party to this case proposed to change the allocation of the environmental surcharge, which is now based on total revenues. This allocation was found to be reasonable by the Commission in Case No. 2002-00169 and it should continue to be used for Kentucky Power's environmental surcharge.

#### TARIFF EFFECTIVE DATE

Kentucky Power proposed that its amended E.S. tariff should become effective for bills rendered on and after April 29, 2005. As noted previously in this Order, the Commission's March 21, 2005 Order rejected this effective date, as KRS 278.183(2) provides that the Commission has 6 months to review and approve environmental surcharge compliance plans and surcharge mechanisms. The Commission finds that the E.S. tariff, as discussed and modified in this Order, should become effective for service rendered on and after the date of this Order. The Commission will not make the revised E.S. tariff effective for bills rendered on and after the date of this Order because doing so would result in retroactive rate-making by requiring customers to pay for increases in environmental costs prior to the approval of those increases.

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<sup>58</sup> Response to the Commission Staff's Second Data Request dated April 18, 2005, Item 12.

8. Kentucky Power's August 5, 2005 petition for confidentiality is granted.
9. Within 10 days of the date of this Order, Kentucky Power shall file with the Commission revised tariff sheets setting out the E.S. tariff as modified and approved herein.

Done at Frankfort, Kentucky, this 7<sup>th</sup> day of September, 2005.

By the Commission

ATTEST:



Executive Director

**KPSC Case No. 2005-00068**  
**Commission Staff 2<sup>nd</sup> Set Data Request**  
**Order Dated April 18, 2005**  
**Item No. 12**  
**Page 1 of 28**

**Kentucky Power**  
**d/b/a**  
**American Electric Power**

**REQUEST**

Assume for purposes of this question that the Commission approves Kentucky Power's amendment to its environmental compliance plan and modification to the surcharge mechanism as proposed. Indicate what schedules Kentucky Power would propose to include with the monthly environmental surcharge filing to document the additional environmental costs it was permitted to recover from ratepayers.

**RESPONSE**

Attached is a copy of the Company's proposed revised monthly environmental surcharge schedules. The Company started with the November, 2004 monthly environmental surcharge filing and modified the schedules to include the 2005 Plan's environmental costs.

Schedule ES Form 3.20 was revised to reflect KPCo's environmental costs associated with the Rockport Unit Power low NOx burners investment. Schedule ES Form 3.14 was revised to reflect KPCo's environmental costs associated with the AEP Pool capacity costs. Schedule ES Form 3.14 pages 3 through 11, calculates the environmental costs at each generating plant. Each generating plant's total monthly amount is also placed on ES Form 3.14 page 1 to calculate the total monthly AEP Pool environmental costs. Schedule ES Form 3.14 page 2, is used to calculate the monthly working capital associated with the AEP Pool environmental costs. Schedule ES Form 3.13 was revised to include the 2005 Plan's costs. Schedule ES Form 3.10 lines 7 and 16 were revised to include the 2005 Plan's costs. Schedule ES Form 2.11 was revised to include the Rockport Unit No 1's original burners net investment at December, 1990. Schedule ES Form 2.00 line 2 includes the new amount from Schedule ES Form 2.11. Schedule ES Form 1.00 includes both the environmental costs from the original November, 2004 monthly filing and the environmental costs associated with the 2005 Plan. The net change from the original November, 2004 monthly filing and the revised November, 2004 monthly filing, which includes the environmental costs associated with the 2005 Plan, was an increase on line 8 of Schedule ES Form 1.00 of \$152,003 (1,868,774 - \$1,716,771).

The above results reflect the adjustment to the Gavin SCR Catalyst Replacement discussed by the Company in its response to the Commission Staff Second Set Item No. 5 of \$1,147,000.

**WITNESS:** Errol K. Wagner

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT PLANT

For the Expense Month of November 2004

LINE NO.	COST COMPONENT	(3)	Rockport Plant Common	Unit No. 1	Unit No. 2	Total Units 1 & 2	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Return on Rate Base :						
	Rockport Plant Continuous Environmental Monitoring System (CEMS)						
1	Installed Cost		\$1,380,823				
2	AEGCo Low NOx Burners (LNB) Installed Cost			\$8,234,000	\$8,304,000		
3	Less Accumulated Depreciation		(\$459,658)	(\$289,836)	(\$240,261)		
4	Less Accum. Def. Income Taxes		(\$107,122)	(\$1,262,907)	(\$1,437,158)		
5	Total Rate Base		\$814,043	\$6,681,257	\$6,626,581	\$13,307,838	
6	Weighted Average Cost of Capital - ES FORM 3.21	12.1900%					
7	Monthly Weighted Avg. Cost of Capital (LINE 6 / 12)		1.0158%			1.0158%	
8	Monthly Return of Rate Base (Line 5 * Line 7)		\$8,269			\$135,181	
	Operating Expenses :						
9	Monthly Depreciation Expense		\$4,051	\$24,153	\$34,323	\$58,476	
10	Monthly Indiana Air Emissions Fee		\$12,500	\$0	\$0	\$0	
11	Total Operating Expenses (Line 9 + Line 10)		\$16,551			\$58,476	
12	Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 8 Line 11)		\$24,820			\$193,657	
13	Kentucky Power Portion of Rockport's CEMS (Line 12 * 15%)		\$3,723			\$58,097	
14	Kentucky Power Portion of Rockport's LNB (Line 12 * 30%)						
	Total Kentucky Power Portion of Rockports Plants's Total Revenue Requirement (Column 4, Line 13 + Column 7, Line 14)						
15	<b>Note:</b> Cost in Column 8, Line 15 is to be Recorded on ES FORM 3.00, Line 2.						\$61,820

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.



**KENTUCKY  
POWER**

A unit of American Electric Power

**Kentucky Power**  
P O Box 5190  
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Frankfort, KY 40602  
KentuckyPower.com

September 16, 2005

Elizabeth O'Donnell, Executive Director  
Public Service Commission  
P. O. Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**RECEIVED**

SEP 19 2005

PUBLIC SERVICE  
COMMISSION

Attention: Isaac S. Scott

RE: Monthly Environmental Surcharge Report

Dear Ms. O'Donnell

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power) files the original and three copies of its Environmental Surcharge Report for the month of August 2005. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after September 28, 2005.

Per order Case No. 2005-00068 dated September 7, 2005, two Environmental Surcharge Reports are being filed. One report is calculated based on Case No. 2002-00169 Environmental Surcharge Report forms for billing dates beginning September 28 thru October 5, 2005 or 8 billing days. The second report is calculated based on Case No. 2005-00068 Environmental Surcharge Report forms for billing dates beginning October 6 thru October 26, 2005 or 21 billing days.

Sincerely,

Errol K. Wagner  
Director Regulatory Services

Enclosures

ES FORM 3.20

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of August 2005

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$496,117)	
3	Less Accum. Def. Income Taxes	(\$110,528)	
4	Total Rate Base		\$774,178
5	Weighted Average Cost of Capital - ES FORM 3.21	11.7694%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		0.9808%
7	Monthly Return of Rate Base (4 * 6)		\$7,593
	Operating Expenses :		
8	Monthly Depreciation Expense		\$4,051
9	Monthly Indiana Air Emissions Fee		\$12,500
10	Total Operating Expenses (8 + 9)		\$16,551
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$24,144
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,622

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.



**KENTUCKY  
POWER**

A unit of American Electric Power

**Kentucky Power**  
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October 17, 2005

Elizabeth O'Donnell, Executive Director  
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OCT 17 2005

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COMMISSION

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Dear Ms. O'Donnell

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power) files the original and three copies of its Environmental Surcharge Report for the month of September 2005. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after October 27, 2005.

Sincerely,

Errol K. Wagner  
Director Regulatory Services

Enclosures

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of September 2005

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$500,168)	
3	Less Accum. Def. Income Taxes	(\$110,907)	
4	Total Rate Base		\$769,748
5	Weighted Average Cost of Capital - ES FORM 3.21	11.7758%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		0.9813%
7	Monthly Return of Rate Base (4 * 6)		\$7,554
	Operating Expenses :		
8	Monthly Depreciation Expense		\$4,051
9	Monthly Indiana Air Emissions Fee		<u>\$12,500</u>
10	Total Operating Expenses (8 + 9)		<u>\$16,551</u>
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$24,105
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,616

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.



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A unit of American Electric Power

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November 18, 2005

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NOV 18 2005

PUBLIC SERVICE  
COMMISSION

Attention: Isaac S. Scott

RE: Monthly Environmental Surcharge Report

Dear Ms. O'Donnell

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power) files the original and three copies of its Environmental Surcharge Report for the month of October 2005. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after November 18, 2005.

Also, attached is a worksheet for ES FORM 3.30 that calculates the amount to be recovered in the month of October 2005 from the expense month August 2005. There were two billing periods for the expense month August 2005 due to Case No. 2005-00068. The first eight days, billed for service on September 28 through October 5, was billed based on Case No. 2002-00169 using a factor of 5.2286%. The next twenty-one days, billed for service on October 6 through October 26, was billed based on Case No. 2005-00068 using a factor of 5.6602%. Based on this calculation, \$1,692,198 was to be recovered in October 2005.

Sincerely,

Errol K. Wagner  
Director Regulatory Services

Enclosures

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of October 2005

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$504,219)	
3	Less Accum. Def. Income Taxes	(\$111,285)	
4	Total Rate Base		\$765,319
5	Weighted Average Cost of Capital - ES FORM 3.21	12.0646%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		1.0054%
7	Monthly Return of Rate Base (4 * 6)		\$7,694
	Operating Expenses :		
8	Monthly Depreciation Expense		\$4,051
9	Monthly Indiana Air Emissions Fee		<u>\$12,500</u>
10	Total Operating Expenses (8 + 9)		<u>\$16,551</u>
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$24,245
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,637

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.



**KENTUCKY  
POWER**

A unit of American Electric Power

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December 20, 2005

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DEC 20 2005

PUBLIC SERVICE  
COMMISSION

Attention: Isaac S. Scott

RE: Monthly Environmental Surcharge Report

Dear Ms. O'Donnell

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power) files the original and three copies of its Environmental Surcharge Report for the month of November 2005. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after December 20, 2005.

Sincerely,

Errol K. Wagner  
Director Regulatory Services

Enclosures

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of November 2005

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$508,270)	
3	Less Accum. Def. Income Taxes	(\$111,663)	
4	Total Rate Base		\$760,890
5	Weighted Average Cost of Capital - ES FORM 3.21	12.8816%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		1.0735%
7	Monthly Return of Rate Base (4 * 6)		\$8,168
	Operating Expenses :		
8	Monthly Depreciation Expense		\$4,051
9	Monthly Indiana Air Emissions Fee		\$12,500
10	Total Operating Expenses (8 + 9)		\$16,551
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$24,719
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,708

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.



**KENTUCKY  
POWER**

A unit of American Electric Power

**Kentucky Power**  
P O Box 5190  
101A Enterprise Drive  
Frankfort, KY 40602  
KentuckyPower.com

January 20, 2006

Elizabeth O'Donnell, Executive Director  
Public Service Commission  
P. O. Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602

Attention: Isaac S. Scott

RE: Monthly Environmental Surcharge Report

Dear Ms. O'Donnell

Pursuant to KRS 278.183(3), Kentucky Power Company (Kentucky Power) files the original and three copies of its Environmental Surcharge Report for the month of December 2005. In accordance with the Commission's Orders in the Environmental Surcharge cases, Kentucky Power has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after January 31, 2006.

Sincerely,

Errol K. Wagner  
Director Regulatory Services

Enclosures

**RECEIVED**

JAN 20 2006

PUBLIC SERVICE  
COMMISSION

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of December 2005

LINE NO.	COST COMPONENT		
	Return on Rate Base :		
1	Utility Plant at Original Cost	\$1,380,823	
2	Less Accumulated Depreciation	(\$512,321)	
3	Less Accum. Def. Income Taxes	(\$112,041)	
4	Total Rate Base		\$756,461
5	Weighted Average Cost of Capital - ES FORM 3.21	12.8913%	
6	Monthly Weighted Avg. Cost of Capital (LINE 5/12)		1.0743%
7	Monthly Return of Rate Base (4 * 6)		\$8,126
	Operating Expenses :		
8	Monthly Depreciation Expense		\$4,051
9	Monthly Indiana Air Emissions Fee		<u>\$12,500</u>
10	Total Operating Expenses (8 + 9)		<u>\$16,551</u>
11	Total Revenue Requirement, Cost Associated with Rockport (7) + (10)		\$24,677
12	Kentucky Power Portion of Rockport Total Revenue Requirement. Record on ES FORM 3.00, Line 2 (11 * 15%)		\$3,702

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

Revised - September 1, 2006

ES FORM 3.20

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of August 2005

LINE NO.	COST COMPONENT	(3)	Rockport Plant Common	Unit No. 1	Unit No. 2	Total Units 1 & 2	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Return on Rate Base :						
	Rockport Plant Continuous Environmental Monitoring System (CEMS)						
1	Utility Plant at Original Cost		\$1,380,823				
2	AEGCo Low NOx Burners (LNB) Installed Cost			\$5,272,657	\$8,355,717		
3	Less Accumulated Depreciation		(\$496,117)	(\$322,079)	(\$390,284)		
4	Less Accum. Def. Income Taxes		(\$110,528)	(\$608,181)	(\$934,275)		
5	Total Rate Base		\$774,178	\$4,342,397	\$7,031,158	\$11,373,555	
6	Weighted Average Cost of Capital - ES FORM 3.21	11.7694%					
7	Monthly Weighted Avg. Cost of Capital (LINE 6 / 12)		0.9808%			0.9808%	
8	Monthly Return of Rate Base (Line 5 * Line 7)		\$7,593			\$111,552	
	Operating Expenses :						
9	Monthly Depreciation Expense		\$4,051	\$15,466	\$24,510	\$39,976	
10	Monthly Indiana Air Emissions Fee		\$12,500	\$0	\$0	\$0	
11	Total Operating Expenses (Line 9 + Line 10))		\$16,551			\$39,976	
	Total Revenue Requirement, Cost Associated with Rockport Plant						
12	CEMS and LNB (Line 8 + Line 11)		\$24,144			\$151,528	
13	Kentucky Power's Portion of Rockport's CEMS (Line 12 * 15%)		\$3,622				
14	Kentucky Power's Portion of AEGCo's LNB (Line 12 * 30%)					\$45,458	
	Kentucky Power's Portion of Rockport Plants'						
	Total Revenue Requirement. (Column 4, Line 13 + Column 7, Line 14)						
15	Note: Cost in Column 8, Line 15 is to be Recorded on ES FORM 3.00 Line 2						\$49,080

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

Revised - September 1, 2006

ES FORM 3.20

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of September 2005

LINE NO.	COST COMPONENT	(3)	Rockport Plant Common (4)	Unit No. 1 (5)	Unit No. 2 (6)	Total Units 1 & 2 (7)	Total (8)
	Return on Rate Base :						
	Rockport Plant Continuous Environmental Monitoring System (CEMS) Utility Plant at Original Cost		\$1,380,823				
1	AEGCo Low NOx Burners (LNB) Installed Cost			\$5,272,657	\$8,355,717		
2	Less Accumulated Depreciation		(\$500,168)	(\$337,545)	(\$414,794)		
3	Less Accum. Def. Income Taxes		(\$110,907)	(\$610,166)	(\$937,891)		
4	Total Rate Base		\$769,748	\$4,324,946	\$7,003,032	\$11,327,978	
5	Weighted Average Cost of Capital - ES FORM 3.21	11.7758%					
6	Monthly Weighted Avg. Cost of Capital (LINE 6 / 12)		0.9813%			0.9813%	
7	Monthly Return of Rate Base (Line 5 * Line 7)		\$7,554			\$111,161	
8	Operating Expenses :						
9	Monthly Depreciation Expense		\$4,051	\$15,466	\$24,510	\$39,976	
10	Monthly Indiana Air Emissions Fee		\$12,500	\$0	\$0	\$0	
11	Total Operating Expenses (Line 9 + Line 10))		\$16,551			\$39,976	
	Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 8 + Line 11)		\$24,105			\$151,137	
12	Kentucky Power's Portion of Rockport's CEMS (Line 12 * 15%)		\$3,616				
13	Kentucky Power's Portion of AEGCo's LNB (Line 12 * 30%)					\$45,341	
14	Kentucky Power's Portion of Rockport Plants' Total Revenue Requirement. (Column 4, Line 13 + Column 7, Line 14)						
15	Note: Cost in Column 8, Line 15 is to be Recorded on ES FORM 3.00 Line 2						\$48,957

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

Revised - September 1, 2006

ES FORM 3.20

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of October 2005

LINE NO.	COST COMPONENT	(3)	Rockport Plant Common	Unit No. 1	Unit No. 2	Total Units 1 & 2	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Return on Rate Base :						
	Rockport Plant Continuous Environmental Monitoring System (CEMS)						
1	Utility Plant at Original Cost		\$1,380,823				
2	AEGCo Low NOx Burners (LNB) Installed Cost			\$5,272,657	\$8,355,717		
3	Less Accumulated Depreciation		(\$504,219)	(\$353,011)	(\$439,304)		
4	Less Accum. Def. Income Taxes		(\$111,285)	(\$612,150)	(\$941,506)		
5	Total Rate Base		\$765,319	\$4,307,496	\$6,974,907	\$11,282,403	
6	Weighted Average Cost of Capital - ES FORM 3.21	12.0646%					
7	Monthly Weighted Avg. Cost of Capital (LINE 6 / 12)		1.0054%			1.0054%	
8	Monthly Return of Rate Base (Line 5 * Line 7)		\$7,695			\$113,433	
	Operating Expenses :						
9	Monthly Depreciation Expense		\$4,051	\$15,466	\$24,510	\$39,976	
10	Monthly Indiana Air Emissions Fee		\$12,500	\$0	\$0	\$0	
11	Total Operating Expenses (Line 9 + Line 10)		\$16,551			\$39,976	
12	Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 8 + Line 11)		\$24,246			\$153,409	
13	Kentucky Power's Portion of Rockport's CEMS (Line 12 * 15%)		\$3,637				
14	Kentucky Power's Portion of AEGCo's LNB (Line 12 * 30%)					\$46,023	
	Kentucky Power's Portion of Rockport Plants'						
	Total Revenue Requirement. (Column 4, Line 13 + Column 7, Line 14)						
15	Note: Cost in Column 8, Line 15 is to be Recorded on ES FORM 3.00 Line 2						\$49,660

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

Revised - September 1, 2006

ES FORM 3.20

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of November 2005

LINE NO.	COST COMPONENT		Rockport Plant Common	Unit No. 1	Unit No. 2	Total Units 1 & 2	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Return on Rate Base :						
1	Rockport Plant Continuous Environmental Monitoring System (CEMS) Utility Plant at Original Cost		\$1,380,823				
2	AEGCo Low NOx Burners (LNB) Installed Cost			\$5,272,657	\$8,355,717		
3	Less Accumulated Depreciation		(\$508,270)	(\$368,477)	(\$463,814)		
4	Less Accum. Def. Income Taxes		(\$111,663)	(\$614,135)	(\$945,122)		
5	Total Rate Base		\$760,890	\$4,290,045	\$6,946,781	\$11,236,826	
6	Weighted Average Cost of Capital - ES FORM 3.21	12.8816%					
7	Monthly Weighted Avg. Cost of Capital (LINE 6 / 12)		1.0735%			1.0735%	
8	Monthly Return of Rate Base (Line 5 * Line 7)		\$8,168			\$120,627	
	Operating Expenses :						
9	Monthly Depreciation Expense		\$4,051	\$15,466	\$24,510	\$39,976	
10	Monthly Indiana Air Emissions Fee		\$12,500	\$0	\$0	\$0	
11	Total Operating Expenses (Line 9 + Line 10)		\$16,551			\$39,976	
12	Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 8 + Line 11)		\$24,719			\$160,603	
13	Kentucky Power's Portion of Rockport's CEMS (Line 12 * 15%)		\$3,708				
14	Kentucky Power's Portion of AEGCo's LNB (Line 12 * 30%)					\$48,181	
	Kentucky Power's Portion of Rockport Plants'						
	Total Revenue Requirement. (Column 4, Line 13 + Column 7, Line 14)						
15	Note: Cost in Column 8, Line 15 is to be Recorded on ES FORM 3.00 Line 2						\$51,889

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

Revised - September 1, 2006

ES FORM 3.20

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 COSTS ASSOCIATED WITH ROCKPORT

For the Expense Month of December 2005

LINE NO.	COST COMPONENT		Rockport Plant Common	Unit No. 1	Unit No. 2	Total Units 1 & 2	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Return on Rate Base :						
	Rockport Plant Continuous Environmental Monitoring System (CEMS) Utility Plant at Original Cost		\$1,380,823				
1				\$5,272,657	\$8,355,717		
2	AEGCo Low NOx Burners (LNB) Installed Cost			(\$383,943)	(\$488,324)		
3	Less Accumulated Depreciation		(\$512,321)	(\$616,119)	(\$948,738)		
4	Less Accum. Def. Income Taxes		(\$112,041)				
5	Total Rate Base		\$756,461	\$4,272,595	\$6,918,655	\$11,191,250	
6	Weighted Average Cost of Capital - ES FORM 3.21	12.8913%					
7	Monthly Weighted Avg. Cost of Capital (LINE 6 / 12)		1.0743%			1.0743%	
8	Monthly Return of Rate Base (Line 5 * Line 7)		\$8,127			\$120,228	
	Operating Expenses :						
9	Monthly Depreciation Expense		\$4,051	\$15,466	\$24,510	\$39,976	
10	Monthly Indiana Air Emissions Fee		\$12,500	\$0	\$0	\$0	
11	Total Operating Expenses (Line 9 + Line 10)		\$16,551			\$39,976	
12	Total Revenue Requirement, Cost Associated with Rockport Plant CEMS and LNB (Line 8 + Line 11)		\$24,678			\$160,204	
13	Kentucky Power's Portion of Rockport's CEMS (Line 12 * 15%)		\$3,702				
14	Kentucky Power's Portion of AEGCo's LNB (Line 12 * 30%)					\$48,061	
	Kentucky Power's Portion of Rockport Plants'						
	Total Revenue Requirement. (Column 4, Line 13 + Column 7, Line 14)						
15	Note: Cost in Column 8, Line 15 is to be Recorded on ES FORM 3.00 Line 2						\$51,763

With each monthly filing, attach a schedule similar to Exhibit EKW-2, page 11 of 11 (Wagner Direct Testimony in Case No. 96-489), showing the calculation of the Weighted Average Cost of Capital. These calculations should reflect the provisions of the Rockport Unit Power Agreement, and be as of the Current Expense Month.

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 AEP POOL MONTHLY ENVIRONMENTAL CAPACITY COSTS  
 WORKING CAPITAL ONLY

For the Expense Month of December 2005

Line No. (1)	Cost Component (2)	Ohio Power Company's (OPCo) Environmental Cost to KPCo (3)	Indiana Michigan Power Company's (I&M) Environmental Cost to KPCo (4)	Total (5)
1	Amos Unit No. 3 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 3 of 11, Line 14)	\$8,210		
2	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 4 of 11, Line 10)	\$2,912		
3	Gavin Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 5 of 11, Line 15)	\$8,507,858		
4	Kammer Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 6 of 11, Line 10)	\$17,113		
5	Mitchell Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 7 of 11, Line 10)	\$21,712		
6	Muskingum Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 8 of 11, Line 10)	\$27,696		
7	Sporn Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 9 of 11, Line 10)	\$13,484		
8	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Column 3, Line 10)		\$5,313	
9	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 9 of 10, Column 4, Line 10)		\$4,063	
10	Tanners Creek Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 11 of 11, Line 10)		\$12,500	
11	Subtotal	\$8,598,985	\$21,876	
12	Steam Capacity By Company - OPCo (Column 3) / I&M (Column 4) (kw)	<b>8,472,000</b>	<b>5,089,000</b>	
13	Environmental Base (\$/kw)	\$1.01	\$0.00	
14	Company Surplus Weighting	<b>77.00%</b>	<b>23.00%</b>	
15	Portion of Weighted Average Capacity Rate Attributed to Environmental Fixed O&M Costs	\$0.78	\$0.00	
16	Kentucky Power Capacity Deficit (kw)	<b>352,600</b>	<b>352,600</b>	
17	Fixed O&M Environmental Cost to Kentucky Power	\$275,028	\$0	\$275,028

Note: Cost in Column 5, Line 17 is to be recorded on ES FORM 3.13, Line 2.



Revised - September 1, 2006

ES FORM 3.14  
 Page 3 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - AMOS PLANT UNIT NO. 3

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$89,749,584	\$89,749,584	
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>	<u>1.37%</u>	
3	Total Rate Base	\$1,229,569	\$1,229,569	
4	Ohio Power Company's Percentage Ownership - Environmental Investment	<u>100.00%</u>	<u>100.00%</u>	
5	OPCo's Share of Cost Associated with Amos Unit No. 3 (11) X (12)	\$1,229,569	\$1,229,569	
	Operations :			
6	Urea (5020002)	\$6,456	\$6,456	
7	Trona (5020003)	\$0	\$0	
8	Air Emission Fee	<u>\$5,859</u>	<u>\$5,859</u>	
9	Total Operations (4) + (5) + (6)	\$12,315	\$12,315	
	Maintenance :			
10	SCR Maintenance (5120000)	\$0	\$0	
11	1/2 of Maintenance (7) * 50%	\$0	\$0	
12	Fixed O&M (9) + (11)	\$12,315	\$12,315	
13	Ohio Power Company's Percentage Ownership - O&M Cost	<u>66.67%</u>	<u>66.67%</u>	
14	OPCo's Share of O&M Cost Associated with Amos Unit No. 3 (12) X (13)	<u>\$8,210</u>	<u>\$8,210</u>	
	Total Revenue Requirement,			
15	Cost Associated with Amos Unit No. 3 (5) + (14)	\$1,237,779	\$1,237,779	
16	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
17	Amos Unit No. 3 Environmental Rate (\$/kw)	\$0.15	\$0.15	
18	Ohio Power Surplus Weighing	<u>77.00%</u>	<u>76.00%</u>	
19	Portion of Weighted Average Capacity Rate Attributed to Amos Unit No. 3 SCR (\$/kw) (17) * (18)	\$0.12	\$0.11	
	Amos Unit No. 3 Costs to Kentucky Power :			
20	Amos Unit No. 3 Portion (\$/kw) (19)	\$0.12	\$0.11	
21	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
	Amos Unit No. 3 Environmental Cost to Kentucky Power (20) * (21)			
22	(ES FORM 3.14, Page 1 of 10, Line 1)	\$42,312	\$38,786	\$3,526

Revised - September 1, 2006

ES FORM 3.14  
 Page 4 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - CARDINAL UNIT 1

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$97,226,884	\$97,226,884	
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>	<u>1.37%</u>	
3	Total Rate Base	\$1,332,008	\$1,332,008	
	Operations :			
4	Urea (5020002)	\$0	\$0	
5	Trona (5020003)	\$0	\$0	
6	Air Emission Fee	<u>\$2,912</u>	<u>\$2,912</u>	
7	Total Operations (4) + (5) + (6)	\$2,912	\$2,912	
	Maintenance :			
8	SCR Maintenance (5120000)	\$0	\$0	
9	1/2 of Maintenance (8) * 50%	<u>\$0</u>	<u>\$0</u>	
10	Fixed O&M (7) + (9)	<u>\$2,912</u>	<u>\$2,912</u>	
	Total Revenue Requirement,			
11	Cost Associated with Cardinal Unit No. 3 (3) + (10)	<u>\$1,334,920</u>	<u>\$1,334,920</u>	
12	Ohio Power Company's Percentage Ownership	100.00%	100.00%	
13	OPCo's Share of Cost Associated with Cardinal Unit No. 1 (11) X (12)	\$1,334,920	\$1,334,920	
14	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
15	Cardinal Unit No. 1 (\$/kw)	\$0.16	\$0.16	
16	Ohio Power Surplus Weighing	77.00%	76.00%	
17	Portion of Weighted Average Capacity Rate Attributed to Cardinal Unit No. 1 (\$/kw) (15) X (16)	\$0.12	\$0.12	
	Cardinal Unit No. 1 Costs to Kentucky Power :			
18	Cardinal Unit No. 1 Portion (\$/kw) (17)	\$0.12	\$0.12	
19	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
20	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (18) * (19) (ES FORM 3.14, Page 1 of 10, Line 2)	\$42,312	\$42,312	\$0

Revised - September 1, 2006

ES FORM 3.14  
 Page 5 of 11

KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - GAVIN PLANT (UNITS 1 & 2)

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$247,129,459	\$247,129,459	
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>	<u>1.37%</u>	
3	Total Rate Base	\$3,385,674	\$3,385,674	
	Operations :			
4	Sludge Disposal (5010000)	\$617,284	\$617,284	
5	Lime (5020000)	\$3,100,419	\$3,100,419	
6	Urea (5020002)	\$0	\$0	
7	Trona (5020003)	\$225,451	\$225,451	
8	Air Emission Fee	\$28,432	\$28,432	
9	Lease (5070000)	\$4,245,783	\$4,245,783	
10	Total Operations (4) + (5) + (6) + (7) + (8) + (9)	\$8,217,369	\$8,217,369	
	Maintenance :			
11	SCR Maintenance (5120000)	\$18,526	\$18,526	
12	Scrubber Maintenance (5120000)	<u>\$562,451</u>	<u>\$562,451</u>	
13	Total Maintenance (11) + (12)	\$580,977	\$580,977	
14	1/2 of Maintenance (13) * 50%	<u>\$290,489</u>	<u>\$290,489</u>	
15	Fixed O&M (10) + (14)	<u>\$8,507,858</u>	<u>\$8,507,858</u>	
	Total Revenue Requirement,			
16	Cost Associated with Gavin Plant (3) + (15)	\$11,893,532	\$11,893,532	
17	Ohio Power Company's Percentage Ownership	100.00%	100.00%	
18	OPCo's Share of Cost Associated with Gavin Plant (16) X (17)	\$11,893,532	\$11,893,532	
19	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
20	Gavin Plant (\$/kw)	\$1.40	\$1.40	
21	Ohio Power Surplus Weighing	77.00%	76.00%	
22	Portion of Weighted Average Capacity Rate Attributed to Gavin Plant (\$/kw) (20) X (21)	\$1.08	\$1.06	
	Gavin Plant Costs to Kentucky Power :			
23	Gavin Plant Portion (\$/kw) (22)	\$1.08	\$1.06	
24	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
	Gavin Plant Environmental Cost to Kentucky Power (23) * (24)			
25	(ES FORM 3.14, Page 1 of 10, Line 3)	\$380,808	\$373,756	\$7,052

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - KAMMER PLANT (UNITS 1, 2 & 3)

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$7,064,364	\$7,064,364	
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>	<u>1.37%</u>	
3	Total Rate Base	\$96,782	\$96,782	
	Operations :			
4	Urea (5020002)	\$0	\$0	
5	Trona (5020003)	\$0	\$0	
6	Air Emission Fee	<u>\$17,113</u>	<u>\$17,113</u>	
7	Total Operations (4) + (5) + (6)	\$17,113	\$17,113	
	Maintenance :			
8	SCR Maintenance (5120000)	\$0	\$0	
9	1/2 of Maintenance (8) * 50%	<u>\$0</u>	<u>\$0</u>	
10	Fixed O&M (7) + (9)	<u>\$17,113</u>	<u>\$17,113</u>	
	Total Revenue Requirement,			
11	Cost Associated with Kammer Plant (3) + (10)	<u>\$113,895</u>	<u>\$113,895</u>	
12	Ohio Power Company's Percentage Ownership	100.00%	100.00%	
13	OPCo's Share of Cost Associated with Kammer Plant (11) X (12)	\$113,895	\$113,895	
14	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
15	Kammer Plant (\$/kw)	\$0.01	\$0.01	
16	Ohio Power Surplus Weighing	77.00%	76.00%	
17	Portion of Weighted Average Capacity Rate Attributed to Kammer Plant (\$/kw) (15) X (16)	\$0.01	\$0.01	
	Kammer Plant Costs to Kentucky Power :			
18	Kammer Plant Portion (\$/kw) (17)	\$0.01	\$0.01	
19	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
20	Kammer Plant Environmental Cost to Kentucky Power (18) * (19) (ES FORM 3.14, Page 1 of 10, Line 4)	\$3,526	\$3,526	\$0

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - MITCHELL PLANT (UNITS 1 & 2)

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$19,443,483	\$19,443,483	
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%	1.37%	
3	Total Rate Base	\$266,376	\$266,376	
	Operations :			
4	Urea (5020002)	\$0	\$0	
5	Trona (5020003)	\$0	\$0	
6	Air Emission Fee	<u>\$21,712</u>	<u>\$21,712</u>	
7	Total Operations (4) + (5) + (6)	\$21,712	\$21,712	
	Maintenance :			
8	SCR Maintenance (5120000)	\$0	\$0	
9	1/2 of Maintenance (8) * 50%	<u>\$0</u>	<u>\$0</u>	
10	Fixed O&M (7) + (9)	<u>\$21,712</u>	<u>\$21,712</u>	
	Total Revenue Requirement,			
11	Cost Associated with Mitchell Plant (3) + (10)	<u>\$288,088</u>	<u>\$288,088</u>	
12	Ohio Power Company's Percentage Ownership	100.00%	100.00%	
13	OPCo's Share of Cost Associated with Mitchell Plant (11) X (12)	\$288,088	\$288,088	
14	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
15	Mitchell Plant (\$/kw)	\$0.03	\$0.03	
16	Ohio Power Surplus Weighing	77.00%	76.00%	
17	Portion of Weighted Average Capacity Rate Attributed to Mitchell Plant (\$/kw) (15) X (16)	\$0.02	\$0.02	
	Mitchell Plant Costs to Kentucky Power :			
18	Mitchell Plant Portion (\$/kw) (17)	\$0.02	\$0.02	
19	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
	Mitchell Plant Environmental Cost to Kentucky Power (18) * (19)			
20	(ES FORM 3.14, Page 1 of 10, Line 5)	\$7,052	\$7,052	\$0

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - MUSKINGUM PLANT (UNITS 1, 2, 3, 4 & 5)

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$16,288,564	\$16,288,564	
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%	1.37%	
3	Total Rate Base	\$223,153	\$223,153	
	Operations :			
4	Urea (5020002)	\$0	\$0	
5	Trona (5020003)	\$0	\$0	
6	Air Emission Fee	<u>\$27,696</u>	<u>\$27,696</u>	
7	Total Operations (4) + (5) + (6)	\$27,696	\$27,696	
	Maintenance :			
8	SCR Maintenance (5120000)	\$0	\$0	
9	1/2 of Maintenance (8) * 50%	<u>\$0</u>	<u>\$0</u>	
10	Fixed O&M (7) + (9)	<u>\$27,696</u>	<u>\$27,696</u>	
	Total Revenue Requirement,			
11	Cost Associated with Muskingum Plant (3) + (10)	<u>\$250,849</u>	<u>\$250,849</u>	
12	Ohio Power Company's Percentage Ownership	100.00%	100.00%	
13	OPCo's Share of Cost Associated with Muskingum Plant (11) X (12)	\$250,849	\$250,849	
14	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
15	Muskingum Plant (\$/kw)	\$0.03	\$0.03	
16	Ohio Power Surplus Weighing	77.00%	76.00%	
17	Portion of Weighted Average Capacity Rate Attributed to Muskingum Plant (\$/kw) (15) X (16)	\$0.02	\$0.02	
	Muskingum Plant Costs to Kentucky Power :			
18	Muskingum Plant Portion (\$/kw) (17)	\$0.02	\$0.02	
19	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
	Muskingum Plant Environmental Cost to Kentucky Power (18) * (19)			
20	(ES FORM 3.14, Page 1 of 10, Line 6)	\$7,052	\$7,052	\$0

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 OHIO POWER COMPANY (OPCo) - SPORN PLANT (UNITS 2, 3, 4 & 5)

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$15,247,389	\$15,247,389	
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%	1.37%	
3	Total Rate Base	\$208,889	\$208,889	
	Operations :			
4	Urea (5020002)	\$0	\$0	
5	Trona (5020003)	\$0	\$0	
6	Air Emission Fee	\$13,484	\$13,484	
7	Total Operations (4) + (5) + (6)	\$13,484	\$13,484	
	Maintenance :			
8	SCR Maintenance (5120000)	\$0	\$0	
9	1/2 of Maintenance (8) * 50%	\$0	\$0	
10	Fixed O&M (7) + (9)	\$13,484	\$13,484	
	Total Revenue Requirement,			
11	Cost Associated with Sporn Plant (3) + (10)	\$222,373	\$222,373	
12	Ohio Power Company's Percentage Ownership	100.00%	100.00%	
13	OPCo's Share of Cost Associated with Sporn Plant (11) X (12)	\$222,373	\$222,373	
14	Ohio Power Company Steam Capacity (kw)	8,472,000	8,472,000	
15	Sporn Plant (\$/kw)	\$0.03	\$0.03	
16	Ohio Power Surplus Weighing	77.00%	76.00%	
17	Portion of Weighted Average Capacity Rate Attributed to Sporn Plant (\$/kw) (15) X (16)	\$0.02	\$0.02	
	Sporn Plant Costs to Kentucky Power :			
18	SpornGavin Plant Portion (\$/kw) (17)	\$0.02	\$0.02	
19	Kentucky Power Capacity Deficit (kw)	352,600	352,600	
	Sporn Plant Environmental Cost to Kentucky Power (18) * (19)			
20	(ES FORM 3.14, Page 1 of 10, Line 7)	\$7,052	\$7,052	\$0

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 INDIANA MICHGAN POWER COMPANY (I&M) - ROCKPORT PLANT (UNITS 1 & 2)

For the Expense Month of December 2005

LINE NO.	COST	REVISED UNIT 1 AMOUNTS	REVISED UNIT 2 AMOUNTS	TOTAL	FILED UNIT 1 AMOUNTS	FILED UNIT 2 AMOUNTS	TOTAL	DIFFERENCE
(1)	(2)	(3)	(4)	(5)	(5)	(6)	(7)	(8)
1	Utility Plant at Original Cost	\$10,544,676	\$16,714,682		\$10,544,676	\$16,714,682		
2	Member Primary Capacity Investment Rate (16.44% / 12)	1.37%	1.37%		1.37%	1.37%		
3	Total Rate Base	\$144,462	\$228,991		\$144,462	\$228,991		
	Operations :							
4	Urea (5020002)	\$0	\$0		\$0	\$0		
5	Trona (5020003)	\$0	\$0		\$0	\$0		
6	Air Emission Fee	\$6,250	\$6,250		\$6,250	\$6,250		
7	Total Operations (4) + (5) + (6)	\$6,250	\$6,250		\$6,250	\$6,250		
	Maintenance :							
8	SCR Maintenance (5120000)	\$0	\$0		\$0	\$0		
9	1/2 of Maintenance (8) * 50%	\$0	\$0		\$0	\$0		
10	Fixed O&M (7) + (7)	\$6,250	\$6,250		\$6,250	\$6,250		
	Total Revenue Requirement,							
11	Cost Associated with Rockport Plant (7) + (9)	\$150,712	\$235,241		\$150,712	\$235,241		
12	Indiana Michigan Power Company's Percentage Ownership	85.00%	65.08%		85.00%	65.08%		
13	I&M's Share of Cost Associated with Rockport Plant (11) X (12)	\$128,105	\$153,095		\$128,105	\$153,095		
14	Total Rockport Units 1 & 2			\$281,200			\$281,200	
15	Indiana Michigan Power Company Steam Capacity (kw)			5,089,000			5,089,000	
16	Rockport Plant (\$/kw) (14) / (15)			\$0.06			\$0.06	
17	Kentucky Power Portion of Rockport Plant / Indiana Michigan Power Surplus Weighing			23.00%			24.00%	
18	Portion of Weighted Average Capacity Rate Attributed to Rockport Plant (\$/kw) (17) X (18)			\$0.01			\$0.01	
	Rockport Plant Costs to Kentucky Power :							
19	Rockport Plant Portion (\$/kw) (18)			\$0.01			\$0.01	
20	Kentucky Power Capacity Deficit (kw)			352,600			352,600	
	Rockport Units 1 & 2 Environmental to Kentucky Power (19) * (20)							
21	(ES FORM 3.14, Page 1 of 10, Line 8)			\$3,526			\$3,526	\$0

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 INDIANA MICHIGAN POWER COMPANY (I&M) - TANNERS CREEK (UNITS 1, 2, 3 & 4)

For the Expense Month of December 2005

LINE NO.	COST	REVISED AMOUNTS	FILED AMOUNTS	DIFFERENCE
1	Utility Plant at Original Cost	\$15,767,750	\$15,767,750	
2	Member Primary Capacity Investment Rate (16.44% / 12)	<u>1.37%</u>	<u>1.37%</u>	
3	Total Rate Base	\$216,018	\$216,018	
	Operations :			
4	Urea (5020002)	\$0	\$0	
5	Trona (5020003)	\$0	\$0	
6	Air Emission Fee	<u>\$12,500</u>	<u>\$12,500</u>	
7	Total Operations (4) + (5) + (6)	\$12,500	\$12,500	
	Maintenance :			
8	SCR Maintenance (5120000)	\$0	\$0	
9	1/2 of Maintenance (8) * 50%	<u>\$0</u>	<u>\$0</u>	
10	Fixed O&M (7) + (9)	<u>\$12,500</u>	<u>\$12,500</u>	
	Total Revenue Requirement,			
11	Cost Associated with Tanners Creek Plant (3) + (10)	<u>\$228,518</u>	<u>\$228,518</u>	
12	Indiana Michigan Power Company's Percentage Ownership	100.00%	100.00%	
13	I&M's Share of Cost Associated with Tanners Creek Plant (11) X (12)	\$228,518	\$228,518	
14	Indiana Michigan Power Company Steam Capacity (kw)	5,089,000	5,089,000	
15	Tanners Creek Plant (\$/kw)	\$0.04	\$0.04	
16	Indiana Michigan Power Surplus Weighing	23.00%	24.00%	
17	Portion of Weighted Average Capacity Rate Attributed to Rockport Plant (\$/kw) (15) X (16)	\$0.01	\$0.01	
	Tanners Creek Plant Costs to Kentucky Power :			
18	Tanners Creek Plant Portion (\$/kw) (17)	\$0.01	\$0.01	
19	Kentucky Power Capacity Deficit (kw)	<u>352,600</u>	<u>352,600</u>	
20	Tanners Creek Plant Environmental Cost to Kentucky Power (18) * (19) (ES FORM 3.14, Page 1 of 10, Line 9)	\$3,526	\$3,526	\$0

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KENTUCKY POWER COMPANY - ENVIRONMENTAL SURCHARGE REPORT  
 CURRENT PERIOD REVENUE REQUIREMENT  
 AEP POOL MONTHLY ENVIRONMENTAL CAPACITY COSTS

For the Expense Month of December 2005

Line No. (1)	Cost Component (2)	REVISED AMOUNTS Ohio Power Company's Environmental Cost to KPCo (3)	REVISED AMOUNTS Indiana Michigan Power Company's Environmental Cost to KPCo (4)	REVISED AMOUNTS Total (5)	FILED AMOUNTS Ohio Power Company's Environmental Cost to KPCo (6)	FILED AMOUNTS Indiana Michigan Power Company's Environmental Cost to KPCo (7)	FILED AMOUNTS Total (8)	DIFFERENCE (9)
1	Amos Unit No. 3 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 3 of 11, Line 22)	\$42,312			\$38,786			
2	Cardinal Unit No. 1 Environmental Cost to Kentucky Power (ES FORM 3.14, Page 4 of 11, Line 20)	\$42,312			\$42,312			
3	Gavin Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 5 of 11, Line 25)	\$380,808			\$373,756			
4	Kammer Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 6 of 11, Line 20)	\$3,526			\$3,526			
5	Mitchell Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 7 of 11, Line 20)	\$7,052			\$7,052			
6	Muskingum Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 8 of 11, Line 20)	\$7,052			\$7,052			
7	Sporn Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 9 of 11, Line 20)	\$7,052			\$7,052			
8	Rockport Plant Environmental to Kentucky Power (ES FORM 3.14, Page 10 of 11, Column 5, Line 21)		\$3,526			\$3,526		
9	Tanners Creek Plant Environmental Cost to Kentucky Power (ES FORM 3.14, Page 11 of 11, Line 20)		\$3,526			\$3,526		
10	Total AEP Pool Monthly Environmental Capacity Costs to Kentucky Power	\$490,114	\$7,052	\$497,166	\$479,536	\$7,052	\$486,588	\$10,578

Note: Cost in Column 5, Line 10 is to be recorded on ES FORM 3.10, Line 16.